## Memorandum

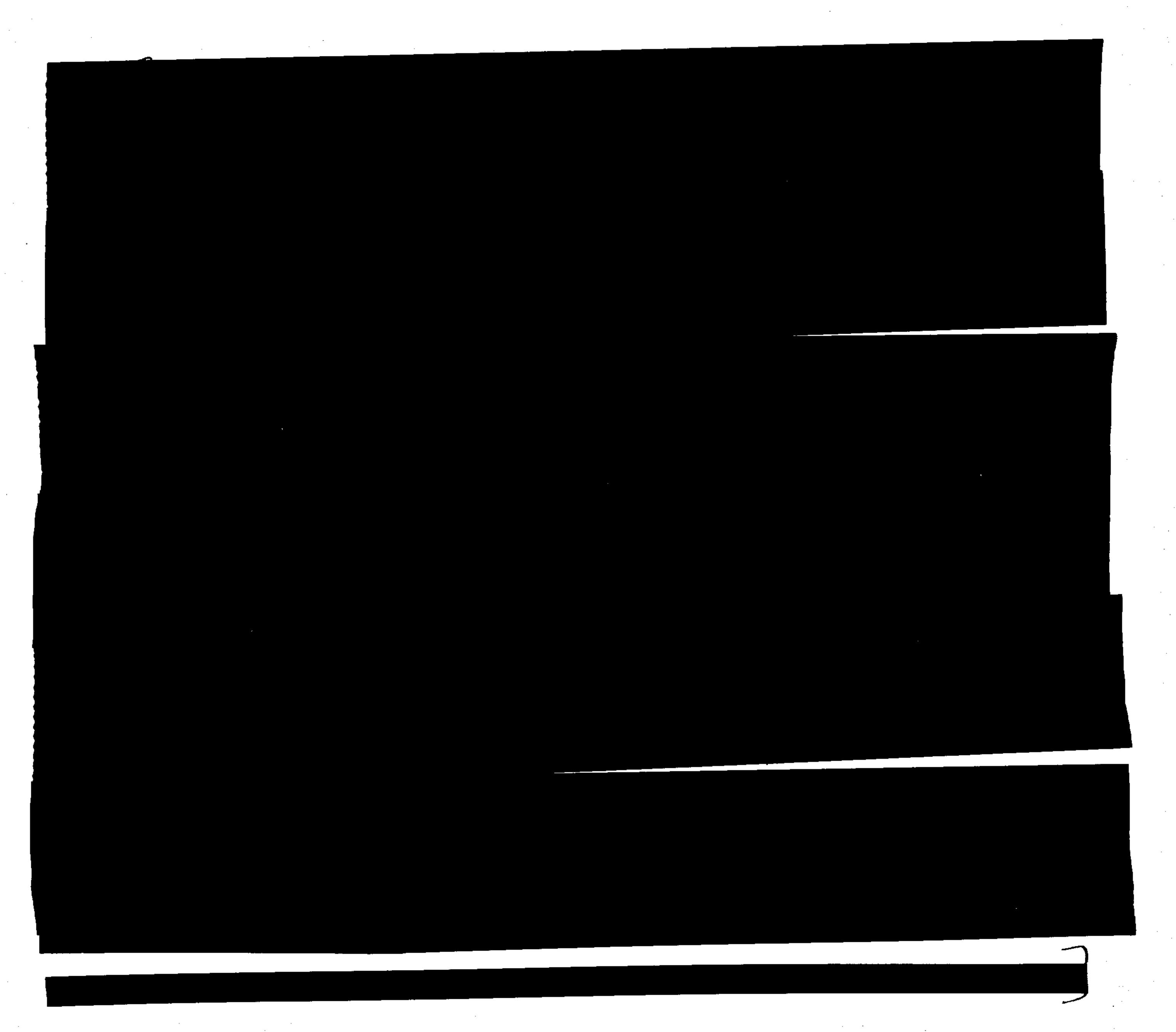


Subject Interview with Date June 3, 1996 60-2096-0002

To Nina Hale (Frito-Lay)

From Neeli Ben-David

64,670



distribution:

RWF, DNK, HALE, PTACEK, ALEXANDER - EAG, SWEENEY, JONES, BEN-DAVID, CASE, CHRON, ARCHIVE In the last ten years, Frito has increased the price of its corn products, where it has an 80% market share, while it has kept the price of its potato chips virtually unchanged.

Rather than engaging in explicit exclusive dealing contracts, Frito sets up comprehensive programs involving rebates and incremental sales incentives to induce retailers to give it more space.

Typically, this is paid on a quarterly or monthly basis.

For example, Frito has a national contract with the same of the same

and additional compensation per increase in sales. Frito has similar arrangements with airport concession

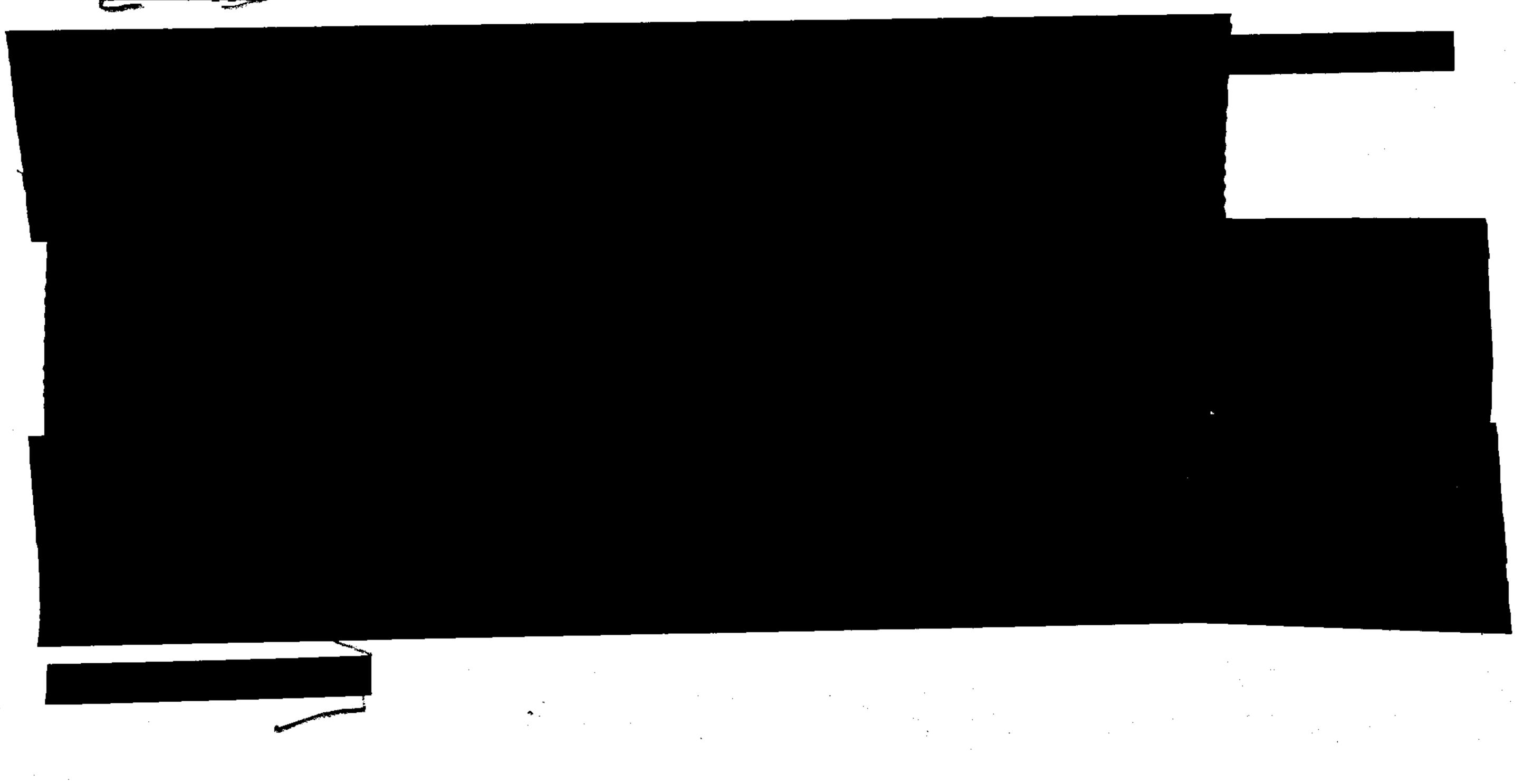
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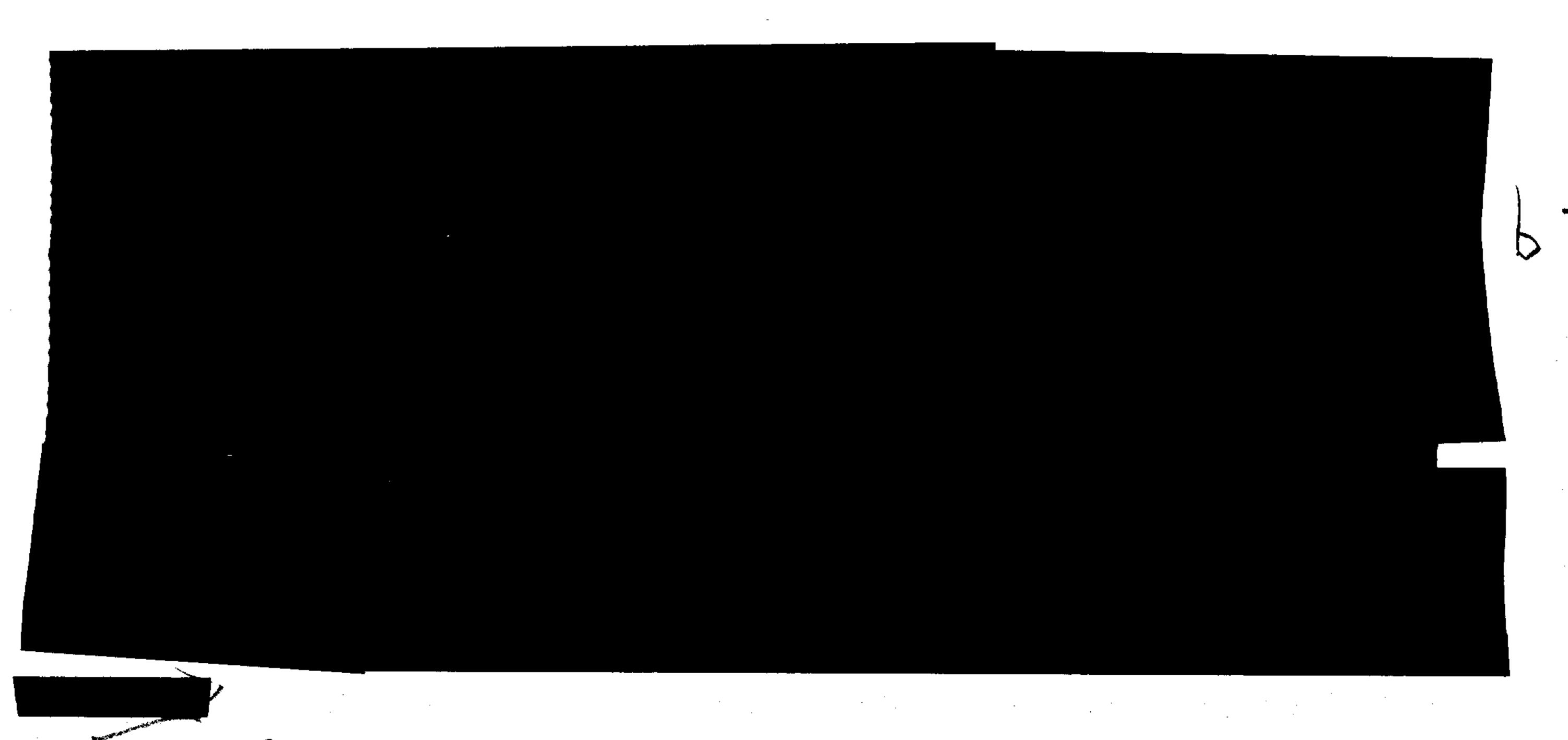
Although Frito has been the most successful player in this sort of game, others have tried to engage in the same types of maneuvers. A small national salty snack food company offered up front to be stocked in a certain amount of space. Eventually, the store took the chips out because they were not selling enough.

Frito tends to offer up-front or "spiff money" to acquire the best endcaps and bread tables.

recalls another instance in which a retailer told him that Frito had paid one million dollars up front, in a Southeastern market, to stock only Frito products. In another situation, Frito paid money to have a rack of its product placed in front of product, essentially removing it from view.

also complained about Procter and Gamble's exclusive arrangement with Frito to sell Olestra;





estimated that Frito had about of all shelf space in stores (gondola only). Convenient stores and gas stations are even more of a problem than grocery chains. Often, grocery chains will keep stocking products because of customer demand. However, convenient stores and gasoline chains (e.g., Exxon, Chevron, Shell, Texaco) are more willing to enter into exclusive dealing arrangements with Frito.

Speculated that Frito paid cash up front for these arrangements, and that it had written, one- and two-year contracts with the stores (even though he doubts that the exclusivity is actually written in).

So/So # 11165